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WORLD RICE SITUATION

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1. Since mid-1970 world paddy production has declined, stocks in all countries have been drawn down, importing countries have been left with unfilled demand, and prices have moved up sharply. The harvest that began in August in the United States and in October in Asia is expected to bring at least temporary relief. Output will not be adequate to rebuild stocks, however, and another period of short supplies is expected in mid-1974.

2. Following the bumper crop of 200 million tons (excluding the PRC and North Vietnam) in 1969/70, world paddy output declined by about 9% to 182 million tons in 1972/73. The first two years of the downturn reflected production cutbacks by some exporting countries and poor rice growing weather, crop disease, war, and pricing problems in a number of other countries. Output in 1972/73 declined sharply -- mainly because of poor monsoon rainfall in Asia, where most of the rice is grown and consumed. Production in the current crop year is expected to return to about 200 million tons. Improved weather in Asia and increases in the area planted around the world account for the increase.

3. Less than 5% of the production normally enters international trade and relatively few countries are exporters. 25X1

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the United States and Thailand being the principal ones. Under these circumstances, the export market quickly moved from a situation of surplus stocks and depressed prices in early 1971 to depleted stocks and price increases of more than 50% by mid-1972. By mid-1973, stocks were the lowest on record and prices the highest. As a result, many importing countries had to shift to other grains to feed their populations. By drawing on the current harvest, the United States will be able to maintain exports in 1973 at nearly 2 million tons. Thailand, with depleted stocks and a later harvest, has less than 1 million tons available for export this year, compared with 2 million tons in 1972. Thailand's much improved current crop probably will permit exports of about 1.6 million tons in 1974, and world exports may reach 7.4 million tons, up from 6.5 million in 1973.

4. Despite the improved crop outlook and larger exports in 1974, world demand will continue to press hard on supplies. Prices are dropping slightly as the US crop comes into the market and probably will decline further in early 1974 as the Thai harvest becomes available for export. But supplies will be tight and prices will move up again before the next crop becomes available in the latter part of 1974. Demand for US exports on concessionary terms will continue to be high, but the rice may not be available at reasonable prices. US rice experts predict that possibly two-thirds of the US crop will

be sold by the end of this calendar year. This would leave only about 800,000 tons available for sale during January-July 1974, of which about 600,000 tons are planned as PL-480 shipments.

5. The longer-range outlook is for continued sharp fluctuations in the world rice market. Even with increased use of high-yielding seeds, rice output in Asia probably will increase by only about 3% annually. Several countries will remain heavily dependent on imports, especially in years of poor crops.

Introduction

6. Since mid-1972 a number of countries of Asia, where most of the world's rice is grown and consumed, have been unable to buy the amounts needed to feed their growing populations and curb steep increases in domestic prices. Tightness in the world rice market is the result of a decline in world rice production during the past three years.

Production Trends in Recent Years

7. World paddy production, excluding the PRC and North Vietnam,* declined for three successive years following a peak output of about 200 million tons in 1969/70 (see Table 1). The downtrend resulted from production cutbacks in some exporting countries and poor weather, crop disease, war, and pricing

* No reliable time series is available for the PRC or North Vietnam. The PRC produced an estimated 105 million to 110 million tons of paddy in crop year 1971/72. (Crop years begin on 1 August of the first stated year.)

problems in several other countries.

8. Two major exporters, the United States and Japan, began cutting production in 1969/70 as a reaction to excess stocks.* With stocks at double the desired levels, the US government, under its price support and acreage controls program, reduced acreage planted to rice by 25% in 1969-70. Production dropped by 20% during the two years. An additional 10% reduction in acreage planned for 1972 was rescinded when it became clear that some Asian countries would need more imports in 1972/73. In 1969 Japan began to reduce its 6 million tons of stocks by promoting other crops, using 1 million to 2 million tons annually for feed and industrial uses, and exporting supplies on long-term credit, although it had not previously been an exporter. In three years, production dropped by 28% and stocks by 70%.

9. Rice output in other major producing countries declined moderately in 1970/71 and 1971/72 for various reasons and then dropped sharply in 1972/73 because of widespread poor weather. Bangladesh was hit by cyclones in 1970 and civil war in 1971 and 1972; output in Cambodia and South Vietnam was interrupted by war; shortsighted pricing policies helped to depress output in Burma, Indonesia, Cambodia, the Philippines, and Malagasy. Last year, erratic and sparse rainfall across Asia, Africa, the Middle East, and South

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America caused a 7% drop in production. Recent trends in world production are indicated by the following indexes.

	US and Japan	Other	World Total
1969/70	100	100	100
1970/71	88	99	98
1971/72	74	99	96
1972/73	84	92	91

Rice Trade and Prices

10. Most rice is consumed in the producing country; less than 5% of world output enters international trade. Therefore, even minor shifts in production or stock accumulation may have a large effect on trade. When production declines, demand for imports normally rises even though each country attempts to offset a crop shortfall by belt-tighening, drawing down stocks, and switching to other foodgrains. If exportable stocks have already been drawn down, world prices can rise sharply. All of these elements were present in 1972, as the world rice market shifted from a condition of readily available supplies to one of shortages.

11. In 1970/71, surplus stocks in exporting countries depressed world prices and brought special export efforts. Exports increased from 6.8 million tons* in 1969 to 7.8 million

* Although worldwide production data are available on a paddy and crop year basis, trade data are available only for milled rice by calendar year. Milling rates vary from 0.60 to 0.75. An average rate of 0.65 is used to convert paddy data to milled rice equivalents.

tons in 1971 (see Table 2). Thailand and Burma, in particular, cut prices. By April/May 1971, world export prices were about 40% lower than two years earlier. Japan and the United States offered rice on soft long-term credit. Over 70% of US exports in 1971/72 consisted of PL-480 sales and grants. Some Asian countries took advantage of the low prices and easy credit to raise consumption, substituting rice for less preferred grains. South Korea, which had increased imports steadily since 1965, imported more than 1 million tons in 1971. Indonesia imported between 500,000 and 1 million tons each year during 1970-72. The Philippines, South Vietnam, and Cambodia increased imports to offset production problems. The resulting trends in world exports and prices are indicated in Table 3.

12. The export situation changed rapidly in mid-1972. Surplus stocks had been liquidated and prospects for the 1972/73 crop were poor. In the Northern Hemisphere, stocks are normally at their seasonal low from June or July until the new harvest begins -- in August in the United States and several months later in Asian countries. In mid-1972, Thailand, Burma, and Brazil temporarily restricted exports because of domestic shortages and steeply rising internal prices. Japan and Pakistan had only small quantities of poor-quality rice available for export in the last half of the year. By 1 August, the US carryover stock was down substantially, and much of it already was committed. Despite these problems, world exports reached

a record level of about 8.3 million tons in 1972. A number of Asian countries nevertheless were left with unfilled requests and had to import other foodgrains instead of rice. By December 1972, export prices had increased 40-50% compared with a year earlier (Table 4).

Exports During 1973

13. Only some 6.5 million tons of rice will be exported this year. Export sales were small and sporadic from June until the US crop became available and prices increased by nearly 50% since January (Table 5). Thailand ceased quoting export prices in March and banned further large export comitments in June until the size of its 1973/74 crop could be determined. Limited rice exports were resumed in October and price quotes for the winter harvest may be issued in November. Burma and Italy also banned exports to protect domestic markets. These three countries may account for the total decline of 1.8 million tons expected this year.

14. The United States is the only major exporter that ships much of the fall harvest before the end of the calendar year. The first part of the crop is normally available for export in September. This year's poor weather (which delayed both planting and harvesting) and low stocks held exports in August and September to 150,000 tons -- about 40% less than last year. Shipments are expected to move rapidly during the last quarter, and the 1973 volume should approach the 2.0

million tons exported in 1972. Export prices appear to have peaked in October. Both US domestic and export sales were brisk in late October and early November at slightly reduced prices. Prices are expected to decline further when the Thai crop comes on the market later this year.

Current Crop Outlook and 1974 Trade Prospects

15. The 1973/74 rice crop is expected to be excellent, probably equaling the previous record. Monsoon rains in Asia were favorable; acreage was expanded in most countries; summer floods and typhoons caused only limited damage; and harvesting, although just getting under way in southern Asia, is progressing well. Production data for individual countries are still tentative, but the estimates presented in Table 1 show that output in all major Asian producers except Japan and Cambodia is expected to about equal or exceed 1969/70 levels. Although Japan did not expand acreage this year, output increased due to higher yields. The rice crop in Pakistan was not damaged as much by the September floods as was first expected.

16. US farmers were permitted to expand acreage by 20% this year, but production is not expected to increase to the same extent. The generally late spring and storm damage in the southern growing areas during September reduced the crop, according to USDA's 1 November estimate, to 4.3 million tons, a 12% increase over last year. Italy is harvesting about 1.0 million tons, a 10% increase over last year. Other countries

that contribute to the export market are expected to have normal crops on the average.

17. Larger crops will mean a more comfortable supply situation in a number of Asian countries during the early part of 1974, but more than one good crop will be required to replenish stocks, since demand will continue strong. By mid-1974, supplies will become tight and prices high again, although the shortage is not likely to be as severe as this year. It is estimated that exports in 1974 will be about 7.4 million tons, up by nearly 1 million tons from 1973, but still considerably below the 1972 high (Table 2). This level will not allow importing countries to obtain all they want for current consumption and stock rebuilding. South Korea, the Philippines, Indonesia, South Vietnam, Cambodia, and Bangladesh will want more rice than is likely to be available to them -- particularly if world prices decline somewhat. Thailand, on the other hand, will have a comfortable domestic situation if production increases by 1.3 million tons (milled rice basis) and exports by only 650,000, as currently forecast.

18. Of the approximately 2 million tons available for export from the US crop, about 600,000 tons probably will be shipped under the PL-480 program, mainly to South Vietnam and Cambodia. PL-480 exports were 1.3 million tons from the 1971/72 crop and 940,000 tons from last year's crop. There is still some question whether 600,000 tons can be purchased for

this purpose without disturbing commercial exports, as the law requires. If the tight market eases later this year and is stable during early 1974, careful buying in small quantities may not significantly increase prices. Nevertheless, US exporters predict that commercial export commitments may amount to 1.2 million tons by the end of December, leaving little more than the projected PL-480 tonnage available for sale in the first eight months of 1974.

19. Next year's rice market could be eased measurably if the PRC had a good crop and decided to increase rice exports as it did in 1966 and 1967, when world prices were unusually high. At that time, it exported more than 1 million tons annually, compared with exports of 600,000 to 800,000 tons during 1963-65. The PRC had a poor agricultural year in 1972 and this year has not been much better. Peking is paying high prices for its increased imports of wheat and corn this year. This suggests that the PRC will not increase rice exports, but it could be tempted by high prices. China will produce 100-105 million tons this year.

Future Crop Prospects

20. Rice production in the United States probably will increase substantially in 1974, provided that prices do not decline markedly before the spring planting season. The USDA has announced the removal of rice marketing quotas and fixed price supports at 65% of parity for a minimum acreage --

changes that could increase output by 30-40% in one year. Japan also is again expanding acreage, and several other Asian countries are trying hard to increase production. For most countries, however, output will as usual depend mostly on the weather.

21. Given average weather, output in Asia during the next several years will increase at about an average of 3% annually, a rate barely sufficient to keep pace with population growth and provide modestimprovements in diets. The use of high-yielding seeds continues to spread slowly -- to about 17% of the total rice area of South and Southeast Asia in 1971/72 -- but average yields have remained low for lack of fertilizer and irrigation. Research is continuing to improve cooking qualities and disease resistance, two factors which limited their use at first. The major long-term problem in achieving the potential of the high-yielding seeds in developing countries is the small size of the area that has adequately controlled water supply.

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PADDY PRODUCTION, BY MAJOR PRODUCERS a/

Million Metric Tons

	1969/70	1970/71	1971/72	1972/73 c/	1973/74 d/
World Total b/	200	196	193	182	200
United States	4.1	3.8	3.9	3.9	4.3
Japan	18.2	15.9	13.6	14.9	15.3
Major Asian Producers					
Thailand	13.4	13.6	13.7	12.0	14.0
Bangladesh	18.2	16.7	15.0	15.0	18.0
Burma	8.0	8.1	8.2	6.8	8.0
Cambodia	3.8	3.8	2.7	1.0	0.8
India	60.6	63.7	64.5	55.5	65.0
Indonesia	16.2	18.4	19.3	18.8	19.0
Pakistan	3.5	3.2	3.4	3.5	3.5
Philippines	5.2	5.3	5.1	4.6	5.3
South Korea	5.5	5.6	5.8	5.3	5.5
South Vietnam	5.1	5.7	6.3	5.9	6.1
Taiwan	3.0	2.9	2.7	3.1	3.9
Other	35.2	29.3	28.8	31.7	31.3

a. For crop year beginning 1 August of first stated year.
b. Excluding PRC and North Vietnam, for which reliable data are not available on an annual basis. PRC paddy production is estimated at 105 to 110 million tons in 1971/72.
c. Preliminary. For a few countries, significant differences exist between the estimates published by USDA and information available from other sources. In general, however, the differences offset each other, resulting in a fairly close agreement regarding the world total.

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Table 2

MILLED RICE: WORLD EXPORTS, BY COUNTRY

THOUSAND METRIC TONS

	1970	1971	1972 A/	1973 A/	1974 B/
AUSTRALIA	111	186	172	190	220
BRAZIL	95	129	149	125	0
BURMA	719	800	510	100	300
PRC	935	745	800	900	900
EGYPT	654	515	456	350	500
ITALY	347	438	428	200	500
JAPAN	630	900	200	650	200
PAKISTAN	482	467	300	700	600
THAILAND	1,062	1,576	2,076	950	1,600
UNITED STATES	1,740	1,415	2,034	1,950	2,000
OTHERS	786	630	1,175	400	600
TOTAL	7,561	7,600	8,300	6,500	7,420

A. PRELIMINARY.

B. FORECAST, BASED ON ESTIMATED PRODUCTION AND DOMESTIC DEMAND DURING CURRENT CROP YEAR.

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Table 3

INDEXES OF WORLD RICE EXPORTS AND PRICES

1963 = 100

	Export Volume	Average Price
1963	100	100
1964	104	95
1965	109	95
1966	103	115
1967	96	154
1968	88	141
1969	92	130
1970	103	99
1971	106	89
1972	113	106
1973 a/	88	160

a. Estimated for the whole of 1973.

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Table 4

THAILAND: MILLED RICE EXPORT PRICES a/

US Dollars per Metric Ton

	1969	1970	1971	1972	1973
January	181.20	154.20	139.20	133.81	191.50
February	178.80	151.20	125.10	129.50	194.00
March	185.28	143.04	115.20	130.50	208.05b/
April	183.60	139.20	112.80	131.05	
May	190.80	139.20	123.84	135.35	
June	197.76	141.60	127.20	135.35	
July	198.60	142.80	129.00	147.35	
August	188.40	145.68	131.52	171.00	
September	186.68	142.20	136.20	166.20	
October	185.40	142.50	133.80	170.90	
November	186.00	141.60	130.80	178.00	
December	178.56	138.00	127.80	188.80	

a. Prices relate to first-quality Thai white rice (5% brokens), which is traditionally used to indicate world price trends. The data are for the end of the month. The prices are f.o.b. Bangkok.
b. Thailand suspended price quotations on 5 March 1973.

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UNITED STATES: MILLED RICE WHOLESALE PRICE a/

			US Dollars per Metric Ton
	1971	1972	1973
Annual Average	$191	$216	$330 b/
January	190	196	284
February	190	196	284
March	190	196	284
April	190	196	337
May	185	201	337
June	192	201	337
July	192	201	337
August	192	201	359
September	192	220	408
October	192	231	
November	192	276	
December	196	276	

a/ Price in New Orleans market.
b/ January-September average.

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